# Audit Report

# Ionia County Community Mental Health Authority

October 1, 1998 – September 30, 2000



Office of Audit Grand Rapids Regional Office February 2007



#### JENNIFER M. GRANHOLM GOVERNOR

# STATE OF MICHIGAN DEPARTMENT OF COMMUNITY HEALTH OFFICE OF AUDIT – GRAND RAPIDS REGIONAL OFFICE 350 OTTAWA AVENUE, N.W.; GRAND RAPIDS, MI 49503-2343

JANET OLSZEWSKI DIRECTOR

February 21, 2007

Ms. Beth Jungel, Board Chair Ionia County Community Mental Health Authority 375 Apple Tree Drive Ionia, MI 48846 <u>CERTIFIED MAIL</u> 7006 0100 0002 1050 3720

and

Mr. Robert S. Lathers, MSW, LMSW, Chief Executive Officer Ionia County Community Mental Health Authority 375 Apple Tree Drive Ionia, MI 48846

and

Ms. Janet Olszewski, Director Department of Community Health Capitol View Building – 7<sup>th</sup> Floor Lansing, MI 48913

Dear Ms. Jungel, Mr. Lathers & Ms. Olszewski:

Enclosed is our report on the audit of Ionia County Community Mental Health Authority, an agency under contract with the Department of Community Health.

Sincerely,

Mr. Gerald C. Szczepaniuk, Regional Manager

Department of Community Health

Office of Audit - Grand Rapids Regional Office

#### Enclosure

cc: Dave McLaury Irene Kazieczko Mark Kielhorn
Nick Lyon John Duvendeck Jim Hennessey
Patrick Barrie Teresa Simon Richard Stafford

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### **DESCRIPTION OF AGENCY**

The Ionia County Community Mental Health Authority (ICCMHA) was established in 1996 and operates under the provisions of the Mental Health Code, Sections 330.1001 – 330.2106 of the Michigan Compiled Laws. ICCMHA is a mental health authority and is subject to oversight by the Michigan Department of Community Health (MDCH).

ICCMHA provides residential, outpatient, partial day, case management, prevention and Omnibus Budget Reconciliation Act (OBRA) services to consumers within Ionia County.

The ICCMHA administrative office was located in the city of Orleans, until December 2004 when they moved to Ionia. The ICCMHA board is comprised of 12 members who reside in Ionia County and are appointed for three-year terms by the Board of Commissioners.

Subsequent to the audit period, ICCMHA and several other community mental health organizations joined together to form the CMH Affiliation of Mid-Michigan. As a result of the affiliation and other policy changes at MDCH, the flow of funds from MDCH and various reporting responsibilities changed. However, the underlying cost principles and the shared-risk concept remain unchanged.

## **FUNDING METHODOLOGY**

On October 1, 1998 ICCMHA contracted with MDCH under a Managed Specialty Supports and Services Contract (MSSSC). For the twelve-month period ended September 30, 1999, ICCMHA reported expenditures of \$7.8 million. For the twelve-month period ended September 30, 2000, ICCMHA reported expenditures of \$8.1 million. MDCH provided ICCMHA with both the State and Federal share of Medicaid funds as a capitated payment based on a Per Eligible Per Month (PEPM) methodology. The specific rates paid on the PEPM methodology are listed in an attachment to the contract. MDCH also distributed the non-Medicaid full-year State Mental Health General Funds (GF) based on a separate formula included as an attachment to the contract. Other funding received separately outside of the MSSSC included special and/or

designated funds, fee for services funds, and MIChild capitated funds. The special and/or designated funds were provided under special contractual arrangements between ICCMHA and MDCH. The funding methodologies for these arrangements are specified in each agreement. MIChild is a non-Medicaid program designed to provide certain medical and mental health services for uninsured children of Michigan working families. MDCH also provided the funding for this program by capitated payments based on a Per Enrolled Child Per Month methodology for covered services.

### PURPOSE AND OBJECTIVES

The purpose of this review was to determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and whether the agency properly reported revenues and expenditures in accordance with generally accepted accounting principles and contractual requirements; and to assess the agency's performance relative to the requirements and best practice guidelines set forth in the contract. Following are the objectives:

- 1. To assess ICCMHA's effectiveness and efficiency in establishing and implementing specific policies and procedures as required by the MSSSC and best practices guidelines.
- 2. To assess ICCMHA's effectiveness and efficiency in reporting their financial activity to MDCH in accordance with the MSSSC requirements; applicable federal, state, and local statutory requirements; Medicaid regulations; and applicable accounting standards.
- 3. To determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from ICCMHA.

### SCOPE AND METHODOLOGY

We examined ICCMHA's records and activities for the period October 1, 1998 through September 30, 2000. We completed an internal control questionnaire with the ICCMHA Chief Financial Officer. The purpose was to review internal controls relating to accounting for revenues and expenditures, procurement and other contracting procedures, reporting, claims

management, and risk financing. Discussions were held throughout the audit with the ICCMHA's CFO, CEO and other ICCMHA management personnel for clarification of the ICCMHA's policies and procedures. We summarized and analyzed revenue and expenditure account balances to determine if they were properly reported on the financial status reports in compliance with the MSSSC reporting requirements and applicable accounting standards. We performed our audit procedures from July 30, 2002 through November 1, 2002.

## CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

#### CONTRACT AND BEST PRACTICE GUIDELINES COMPLIANCE

**Objective 1:** To assess ICCMHA's effectiveness and efficiency in establishing and implementing specific policies and procedures as required by the MSSSC and best practices guidelines.

**Conclusion:** ICCMHA was generally effective and efficient in complying with the best practice guidelines and general contract requirements related to the establishment and implementation of specific policies and procedures. However, our assessment disclosed an exception relating to subcontracts (Finding 1).

### **Finding**

### 1. Subcontracts Not Executed Timely

ICCMHA did not ensure subcontracts were signed by providers prior to the start of the contract coverage period in violation of the MSSSC and the Code of Federal Regulations.

Of the 41 subcontracts reviewed for FYE 9/30/1999, 39 were signed after the start of the contract period. Of the 24 subcontracts reviewed for FYE 9/30/2000, 5 were signed after the start of the contract period. On average, contracts were signed 71 days after the start of the contract period. Without a signed contract, there is no legally binding relationship obligating the subcontractor to furnish the supplies or services.

Section 3.10 of the MSSSC requires ICCMHA to comply with all applicable federal, state and local laws, and lawfully enacted administrative rules or regulations. Federal regulation 42 CFR 434.6 provides general requirements for all contracts and subcontracts. Section 434.6(b) states, in pertinent part, "All subcontracts must be in writing and fulfill the requirements of this part that are appropriate to the service or activity delegated under the subcontract." Section 434.6(c) states, in pertinent part, "No subcontract terminates the legal responsibility of the contractor to the agency to assure that all activities under the contract are carried out." A lack of a signed subcontract is clearly a violation of 42 CFR 434.6(b) and hinders ICCMHA's ability to assure that required activities are carried out.

ICCMHA has taken measures to improve their compliance with the MSSSC and the federal regulation. The time period between the beginning coverage date of the contract and the signed date on the contract was reduced in FYE 9/30/2000 when compared with FYE 9/30/1999. Discussions were held with the contract manager in which she stated that the contract procedures were being changed to improve the overall process. This audit finding resulted in no financial adjustment.

### Recommendation

We recommend ICCMHA adopt policies and procedures to ensure that all subcontracts are signed prior to the beginning date of the contract.

### FINANCIAL REPORTING

**Objective 2:** To assess ICCMHA's effectiveness and efficiency in reporting their financial activity to MDCH in accordance with the MSSSC requirements; applicable federal, state, and local statutory requirements; Medicaid regulations; and applicable accounting standards.

Conclusion: ICCMHA did not accurately report its financial activity to MDCH on the FYE 9/30/1999 Financial Status Report (FSR) and FYE 9/30/2000 FSR as required by the MSSSC, applicable statutory requirements, Medicaid regulations, and applicable accounting standards. We noted exceptions relating to reporting of capital asset purchases (Finding 2), expenditures for residential facilities purchases (Finding 3), prepaid Internet access (Finding 4), group home rental payments (Finding 5), expenditures not incurred (Finding 6), lobbying costs (Finding 7), and revenue (Finding 8).

### **Finding**

### 2. Improper Reporting of Capital Asset Purchases

ICCMHA did not properly report the purchases of vehicles, office equipment and other capital assets on the FYE 9/30/1999 FSR and FYE 9/30/2000 FSR in compliance with the MSSSC and OMB Circular A-87.

Section 8.6 of the MSSSC states, "The following documents shall guide program accounting procedures: ...3. OMB A-87 (current standards)." OMB Circular A-87, Attachment B, Section 15, states, "Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances." OMB Circular A-87, Attachment B, Section 19, Sub-section a. (2), states, ""Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the governmental unit for financial statement purposes, or (b) \$5,000." OMB Circular A-87, Attachment B, Section

19, Sub-sections b. and c. state: "...b. Capital expenditures which are not charged directly to a Federal award may be recovered through use allowances or depreciation on buildings, capital improvements, and equipment...c. Capital expenditures for equipment, including replacement equipment or other capital assets, and improvements which materially increase the value or useful life of equipment or other capital assets are allowable as a direct cost when approved by the awarding agency."

Additionally, Attachment 8.9.1 of the MSSSC, Section 1.3 – Financial Status Report, states, in part, "With the exception of P.A. 423 Grant Funds, all reported revenue and expenditure information is required to be provided on an accrual basis of accounting. This accrual basis is expected to recognize all revenues and expenditures through the reporting periods."

Approval by the awarding agency for capital expenditures to be charged as a direct cost has not been granted. Therefore, the appropriate method of reporting expenditures for these capital assets would be depreciation or use allowance, not to fully expense the purchase price.

Rather than using accrual accounting and reporting depreciation for the cost of fixed assets, ICCMHA reported the full cost of equipment and fixtures in the year of acquisition on the FYE 9/30/1999 and FYE 9/30/2000 FSRs. Prior to FY 1998-1999, ICCMHA's General Fund contract with MDCH allowed the full purchase prices of equipment purchases to be expensed in the year of purchase. Management believed this practice could continue when they signed the new contract in FY 1998-1999. However, the MSSSC clearly states that the "contractual agreement represents a departure from the contractual agreement between the MDCH and CMHSP that expired on September 30, 1998." Also, the MSSSC requires compliance with OMB Circular A-87 and accrual accounting.

Audit adjustments for FYE 9/30/1999 removing \$38,602 from reported expenditures and adding \$3,160 for allowable depreciation are shown on Schedules A and B. Audit adjustments for FYE 9/30/2000 removing \$112,678 from reported expenditures and adding \$13,063 for allowable depreciation are shown on Schedules D and E.

### **Recommendation**

We recommend ICCMHA adopt policies and procedures to ensure all capital asset purchases are capitalized and depreciated in compliance with the MSSSC and OMB Circular A-87.

### **Finding**

#### 3. Improper Reporting of Expenditures for Residential Facilities Purchases

ICCMHA did not properly report expenditures related to the purchases of three residential facilities on the FYE 9/30/2000 FSR in compliance with the MSSSC.

ICCMHA purchased three residential facilities with 15-year mortgage loans. The monthly principal and interest payments were recorded as expenditures on the FSR. ICCMHA also made an additional principal payment that was recorded as an expenditure on the FYE 9/30/1999 FSR. The principal payments that ICCMHA recorded as expenditures on the FYE 9/30/2000 FSR did not include the additional payment during the year. Attachment 8.9.1 of the MSSSC requires comprehensive expenditure reporting, which includes *all* expenditures of the Community Mental Health Service Provider.

The monthly mortgage interest for these facilities was recorded in the general ledger and FSRs according to the original mortgage amortization schedule supplied by the mortgage holder. The monthly payments were submitted with the proper coupon for each month. However, when ICCMHA made additional principal payments on two of the mortgages during the fiscal periods under audit, ICCMHA did not receive revised amortization schedules from the mortgage holder. As a result, the mortgage interest expense was overstated and the principal was understated by the same amount on these two loans. However, total expenditure reporting on the FSR was not impacted by this error.

An audit adjustment of \$7,340 for FYE 9/30/2000 increasing the reported expenditures is shown on Schedules D and E. The adjustment is the additional principal payment that was not properly posted to the general ledger.

### **Recommendation**

We recommend ICCMHA adopt policies and procedures to ensure proper expenditure reporting according to the MSSSC.

## **Finding**

### 4. Improper Reporting of Prepaid Internet Access

ICCMHA did not properly report Internet access expenses applicable to FYE 9/30/2000 and paid during FYE 9/30/1999 in compliance with the MSSSC and OMB Circular A-87.

ICCMHA prepaid one year's Internet access upon installation during FYE 9/30/1999 that included 7½ months coverage for FYE 9/30/2000. These costs were not properly posted to the general ledger as prepaid expenses and were improperly included in the FSR for FYE 9/30/1999.

The MSSSC, Attachment 8.9.1, Section 1.3, states, in pertinent part, "All reported revenue and expenditure information is required to be provided on an accrual basis of accounting. This accrual basis is expected to recognize all revenues and expenditures through the reporting periods." Additionally, OMB Circular A-87, Attachment A, Section C.3.a., states, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." Accordingly, costs must be charged to periods benefiting from the expenditure.

Audit adjustments for FYE 9/30/1999 removing \$3,166 are shown on Schedules A and B. Audit adjustments for FYE 9/30/2000 adding \$3,166 are shown on Schedules D and E.

#### **Recommendation**

We recommend ICCMHA adopt policies and procedures to ensure proper expenditure reporting according to the MSSSC and OMB Circular A-87.

### **Finding**

## 5. <u>Improper Reporting of Group Home Rental Payments</u>

ICCMHA improperly reported group home rental expenses applicable to FYE 9/30/1998 and paid during FYE 9/30/1999 in the FSR for FYE 9/30/1999 in violation of the MSSSC and OMB Circular A-87.

ICCMHA included the group home rental expense for September 1998 as part of the rental expenses in the general ledger and in the FSR for FYE 9/30/1999. The rental expenses also included the 12-month period from October 1998 through September 1999.

The MSSSC, Attachment 8.9.1, Section 1.3, states, in pertinent part, "All reported revenue and expenditure information is required to be provided on an accrual basis of accounting. This accrual basis is expected to recognize all revenues and expenditures through the reporting periods." Additionally, OMB Circular A-87, Attachment A, Section C.3.a., states, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." Accordingly, costs must be charged to periods benefiting from the expenditure.

Adjustments for FYE 9/30/1999 removing \$2,082 from reported expenditures are shown on Schedules A and B.

### Recommendation

We recommend ICCMHA adopt policies and procedures to ensure proper expenditure reporting in compliance with the MSSSC and OMB Circular A-87.

### **Finding**

### 6. Improper Reporting of Expenditures Not Incurred

ICCMHA reported expenditures in the FSR for FYE 9/30/1999 that were undocumented and unexpended that did not comply with the MSSSC, the OMB Circular A-87 and the Mental Health Code.

As noted in the board minutes, ICCMHA intended to establish a contingency fund for their potential risk corridor liability. ICCMHA reported \$282,474 in expenditures on their FYE 9/30/1999 FSR that they did not incur to establish what ICCMHA is now calling a "carry forward." However, the reported expenditures did not meet the requirements of the MSSSC, the OMB Circular A-87 and the Mental Health Code.

The MSSSC, Attachment 8.9.1, Section 1.3, states, in pertinent part, "...All reported revenue and expenditure information is required to be provided on an accrual basis of accounting. This accrual basis is expected to recognize all revenues and expenditures through the reporting periods..." Additionally, OMB Circular A-87, Attachment A, Section C.3.a., states, "...A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. ..." Accordingly, costs must be charged to periods benefiting from the expenditure. The Mental Health Code, Section 330.1242, states, in pertinent part, "...The following expenditures by a community mental health services program are not eligible for state financial support except as permitted under section 241 or by the department: ... (c) Any cost item that does not represent or constitute a real or actual expenditure by the community mental health services program except to expend from a reserve account established by the board, as provided in section 205."

The above-listed provisions were not met. Accordingly, the expenditures reported to establish the "carry forward" are unallowable. The CPAs notified ICCMHA that the identified expenditures were not eligible for reimbursement on the FSR. ICCMHA did not file an amended FSR to correct their error.

Audit adjustments for FYE 9/30/1999 removing \$282,474 from reported expenditures are shown on Schedules A and B.

### **Recommendation**

We recommend ICCMHA adopt policies and procedures to ensure proper expenditure reporting and compliance with the MSSSC, OMB Circular A-87, and the Mental Health Code.

#### **Finding**

### 7. <u>Unallowable Lobbying Costs</u>

ICCMHA included unallowable lobbying costs in the FSR for FYE 9/30/2000 in violation of the MSSSC and OMB Circular A-87.

ICCMHA participated with several other CMH's in producing a video. ICCMHA's share of the production cost was \$3,500, and this was included on the FSR. The invoice showed a portion of the cost attributed to "political video." The "political video" production costs are considered to be unallowable lobbying costs.

OMB Circular A-87, Attachment B, Section 27, states, in pertinent part, "The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements or loans is an unallowable cost."

Audit adjustments for FYE 9/30/2000 removing \$900 from reported expenditures are shown on Schedules D and E.

#### Recommendation

We recommend ICCMHA adopt policies and procedures to ensure proper expenditure reporting in compliance with the MSSSC and OMB Circular A-87.

### **Finding**

### 8. Improper Reporting of Medicaid and General Fund Revenues

ICCMHA did not properly record the revenue amounts received from Medicaid and General Fund sources on the FYE 9/30/1999 FSR.

The revenues reported on the FYE 9/30/1999 FSR were misstated as follows:

Medicaid – Specialty Managed Care Services overstated \$35,167 General Fund – Formula Funding understated \$39,574 Categorical Funding overstated \$717

The MSSSC, Attachment 8.9.1, Section 1.3, states, in pertinent part, "All reported revenue and expenditure information is required to be provided on an accrual basis of accounting. This accrual basis is expected to recognize all revenues and expenditures through the reporting periods."

Adjustments for FYE 9/30/1999 decreasing Medicaid – Specialty Managed Care Services Revenue by \$35,167, increasing General Fund – Formula Funding by \$39,574, and decreasing Categorical Funding by \$717 are shown on Schedules A and B.

### Recommendation

We recommend ICCMHA adopt policies and procedures to ensure proper revenue reporting in compliance with the MSSSC.

### MDCH'S SHARE OF COSTS AND BALANCE DUE MDCH

**Objective 3:** To determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from ICCMHA.

**Conclusion:** MDCH's obligation for FYE 9/30/1999 and FYE 9/30/2000 (excluding the MIChild capitated funds, MDCH Earned Contracts, and Children's Waiver funds) is \$14,585,176. ICCMHA owes MDCH a balance of \$394,269 after considering advances, and the prior settlements as shown on Schedules C and F.

FYE 9/30/1999 MDCH Advances in Excess of MDCH Obligation (Schedule C) \$ 564,568 FYE 9/30/1999 Prior Settlement (Schedule C) (256,399)

FYE 9/30/2000 MDCH Advances in Excess of MDCH Obligation (Schedule F) 764,009

FYE 9/30/2000 Prior Settlement (Schedule F) (677,909)

Total Balance Due to MDCH \$394,269

## Schedule A

## Financial Status Report

	F	Reported	Αι	ıdit	Adjusted		
REVENUES		Amount	Adjus	tments	Amount		
A. Revenues Not Otherwise Reported	\$	22,281	\$	-	\$	22,281	
B. Substance Abuse Total	\$	-	\$	-	\$	-	
1 Medicaid Pass Through	\$	-	\$	-	\$	-	
2 Other	\$	-	\$	-	\$	-	
C. Earned Contracts (non-DCH) Total	\$	107,591	\$	-	\$	107,591	
1 CMH to CMH	\$	-	\$	-	\$	-	
2 Other	\$	107,591	\$	-	\$	107,591	
D. MI Child - Mental Health	\$	2,402	\$	-	\$	2,402	
E. Local Funding Total	\$	329,959	\$	-	\$	329,959	
1 Special Fund Account (226(a))	\$	110,261	\$	-	\$	110,261	
2 Title XX Replacement	\$	-	\$	-	\$	-	
3 All Other	\$	219,698	\$	-	\$	219,698	
F. Reserve Balances - Planned for use	\$	-	\$	-	\$	-	
1 Carryforward – Section 226(2)(b)(c)	\$	-	\$	-	\$	-	
2 Internal Service Fund	\$	-	\$	-	\$	-	
3 Other (205(4)(h)	\$	-	\$	-	\$	-	
4 Stop/loss Insurance	\$	-	\$	-	\$	-	
G. DCH Earned Contracts Total	\$	198,589	\$	-	\$	198,589	
1 PASARR	\$	45,070	\$	-	\$	45,070	
2 Block Grant for CMH Services	\$	88,173	\$	-	\$	88,173	
3 DD Council Grants	\$	-	\$	-	\$	-	
4 PATH/Homeless	\$	_	\$	_	\$	-	
5 Prevention	\$	65,346	\$	_	\$	65,346	
6 Aging	\$	-	\$	-	\$	_	
7 HUD Shelter Plus Care	\$	_	\$	-	\$	-	
8 Other DCH Earned Contracts	\$	_	\$	-	\$	-	

# Ionia County Community Mental Health Authority Schedule A

# Financial Status Report

October 1,	1998 1	through	September	30,	1999
,					

	Reported		Audit	Adjusted			
REVENUES	Amount	Ac	ljustments	Amount			
H. Gross Medicaid Total	\$ 6,258,715	\$	(35,167)	\$	6,223,548		
1 Medicaid - Specialty Managed Care	\$ 6,199,285	\$	(35,167)	\$	6,164,118		
2 Medicaid - Children's Waiver Total	\$ 59,430	\$	-	\$	59,430		
I. Reimbursements Total	\$ 58,219	\$	-	\$	58,219		
1 1st and 3rd Party	\$ -	\$	-	\$	-		
2 SSI	\$ 58,219	\$	-	\$	58,219		
J. State General Funds Total	\$ 1,472,235	\$	38,857	\$	1,511,092		
1 Formula Funding	\$ 862,353	\$	39,574	\$	901,927		
2 Categorical Funding	\$ 126,346	\$	(717)	\$	125,629		
3 State Services Base	\$ 481,918	\$	-	\$	481,918		
4 DCH Risk Authorization	\$ 1,618	\$	-	\$	1,618		
5 Residential D.C.W.	\$ -	\$	-	\$	-		
K. Grand Total Revenues	\$ 8,449,991	\$	3,690	\$	8,453,681		
L. Estimated MDCH Obligation (G+H+J)	\$ 7,929,539	\$	3,690	\$	7,933,229		

# Ionia County Community Mental Health Authority Schedule A

## Financial Status Report

		Reported		Audit	Adjusted		
EXPENDITURES		Amount	A	djustments	Amount		
A. C T. (1 F 1'4	¢.	7 010 150	¢	(202.164)	Ф	7.496.004	
A. Gross Total Expenditures	\$	7,810,158	\$	(323,164)	\$	7,486,994	
B. Expenditures Not Otherwise Reported	\$	5,856	\$	-	\$	5,856	
C. Substance Abuse Total	\$	-	\$	_	\$	-	
1 Medicaid Pass Through	\$	-	\$	-	\$	-	
2 Other	\$	-	\$	-	\$	-	
D. Earned Contracts (Non MDCH) Total	\$	107,591	\$	-	\$	107,591	
1 CMH to CMH	\$	-	\$	-	\$	-	
2 Other Earned Contracts	\$	107,591	\$	-	\$	107,591	
E. MI Child - Mental Health	\$	2,402	\$	-	\$	2,402	
F. Local Total	\$	44,140	\$	-	\$	44,140	
1 Local Cost for State Provided Services	\$	27,769	\$	-	\$	27,769	
2 Other Not Used as Local Match	\$	16,371	\$	-	\$	16,371	
G. Expenditures From Reserve Balances	\$	-	\$	-	\$	-	
1 Carryforward - Sec 226(2)(b)(c)	\$	-	\$	-	\$	-	
2 Internal Service Fund	\$	-	\$	_	\$	-	
3 Other (205(4)(h))	\$	-	\$	_	\$	-	
4 Stop/Loss Ins.	\$	_	\$	_	\$	-	
H. MDCH Earned Contracts Total	\$	198,589	\$	-	\$	198,589	
1 PASARR	\$	45,070	\$	-	\$	45,070	
2 Block Grant for CMH Services	\$	88,173	\$	_	\$	88,173	
3 DD Council Grants	\$	_	\$	-	\$	_	
4 PATH/Homeless	\$	_	\$	-	\$	-	
5 Prevention	\$	65,346	\$	-	\$	65,346	
6 Aging	\$	-	\$	_	\$	_	
7 HUD Shelter Plus Care	\$	_	\$	_	\$	_	
8 Other MDCH Earned Contracts	\$	_	\$	_	\$	_	
I. Matchable Services (A-(B through H))	\$	7,451,580	\$	(323,164)	\$	7,128,416	
J. Payments to MDCH for State Services	\$	249,924	\$	-	\$	249,924	

## Schedule A

## Financial Status Report

		Reported		Audit	Adjusted			
EXPENDITURES		Amount	A	djustments	Amount			
K. Specialty Managed Care Service Total	\$	5 5,827,923	\$	(237,030)	\$	5,590,893		
1 100% MDCH Matchable Services	\$	3,195,423	\$	(93,602)	\$	3,101,821		
2 All SSI and Other Reimbursements	\$	58,219	\$	-	\$	58,219		
3 Net MDCH Share for 100 % Services (K1-K2)	\$	3,137,204	\$	(93,602)	\$	3,043,602		
4 90/10 Matchable Services	\$	5 2,632,500	\$	(143,428)	\$	2,489,072		
5 Medicaid Federal Share	\$	5 1,387,854	\$	(75,615)	\$	1,312,239		
6 Other Reimbursements	\$	-	\$	_	\$	_		
7 10% Local Match Funds	\$	124,465	\$	(6,781)	\$	117,684		
8 Net State Share for 90/10 Services								
(K4-K5-K6-K7)	\$	1,120,181	\$	(61,031)	\$	1,059,150		
9 Total MDCH Share, Spec. Managed Care	¢	5 645 220	\$	(220, 240)	¢	5 414 000		
(K3+K5+K8)	\$	5,645,239		(230,249)	\$	5,414,990 1,181,055		
L. GF Categorical and Formula Services Total 1 100% MDCH Matchable Services	\$	1,267,190	\$	(86,135)	\$			
2 All SSI and Other Reimbursements	\$	170,480	\$	(10,228)	\$	160,252		
Net GF and Formula for 100% Services (L1-	\$	-	\$	-	\$	-		
3L2)	\$	170,480	\$	(10,228)	\$	160,252		
4 90/10 Matchable Services	\$	1,096,710	\$	(75,906)	\$	1,020,804		
5 Reimbursements	\$	-	\$	-	\$	-		
610% Local Match Funds	\$	109,671	\$	(7,591)	\$	102,080		
7 Net GF and Formula for 90/10 Services	·	,		( ) /		,		
(L4-L5-L6)	\$	987,039	\$	(68,315)	\$	918,724		
8 Total MDCH GF and Formula (L3+L7)	\$	1,157,519	\$	(78,543)	\$	1,078,976		
M. Children's Waiver - Total	\$	106,543	\$	-	\$	106,543		
1 Medicaid - Federal Share	\$	56,169	\$	-	\$	56,169		
2 Other Reimbursements	\$	-	\$	-	\$	-		
3 Net State Share (M-M1-M2)	\$	50,374	\$	-	\$	50,374		
4 Total MDCH Share Children's Waiver	Φ.	106510	Φ.		Φ.	106510		
(M1+M3)	\$	106,543	\$	-	\$	106,543		
N. Unobligated Spending Authority Total	\$	1,618	\$		\$	1,618		
1 DCH Risk Authorization	\$	1,618	\$		\$	1,618		
2 All Other	\$	-	\$	-	\$	-		
O. Total Local Match Funds (K7+L6) P. Total MDCH Share of Expenditures	\$	234,136	\$	(14,372)	\$	219,764		
(J+K9+L8+M4)	\$	7,159,225	\$	(308,792)	\$	6,850,433		

## Ionia County Community Mental Health Authority Schedule B Explanation of Audit Adjustments October 1, 1998 to September 30, 1999

Medicaid – S	Specialty Managed Care	(35,167)
(\$35,167)	To reduce the Medicaid Specialty Managed Care Revenue to actual. (See Finding 8)	
Formula Fu	nding	39,574
\$39,574	To increase the General Fund Formula Funding Revenue to actual. (See Finding 8)	
Categorical	Funding	(717)
(\$717)	To reduce the General Fund Categorical Funding Revenue to actual. (See Finding 8)	
Gross Total	Expenditures	(\$323,164)
(\$38,602)	To remove capital asset purchases. (See Finding 2)	
\$3,160	To allow depreciation expense on capital assets. (See Finding 2)	
(\$3,166)	To remove prepaid expenses not properly reported. (See Finding 4)	

(\$282,474) To remove the total unexpended and undocumented expenses for a carry forward. (See Finding 6)

Specialty Ma	naged Care Service Total	(\$237,029)
(\$25,890)	To remove capital asset purchases. (See Finding 2)	
\$2,085	To allow depreciation expense on capital assets. (See Finding 2)	
(\$2,518)	To remove prepaid expenses not properly reported. (See Finding 4)	
(\$2,082)	To remove amounts paid for prior year expenditures not properly reported. (See Finding 5)	
(\$208,625)	To remove the total unexpended and undocumented expenses for a carry forward. (See Finding 6)	
GF Categori	cal and Formula Services Total	(\$86,135)
(\$12,712)	To remove capital asset purchases. (See Finding 2)	
\$1,075	To allow depreciation expense on capital assets. (See Finding 2)	
(\$648)	To remove prepaid expenses not properly reported. (See Finding 4)	
(\$73,849)	To remove the total unexpended and undocumented expenses for a carry forward. (See Finding 6)	

Local Total Other (\$14,372)

To reduce the Local Match Funds required based upon the audit findings in the Specialty Managed Care Services and the GF Categorical and Formula Services calculations.

# Ionia County Community Mental Health Authority Schedule C

## Contract Reconciliation and Cash Settlement Summary

		Total	M	edicaid	Ge	neral Fund	Ca	rryforward	Tot	al MDCH
I. Maintenance of Effort (MOE)	Aut	horization?	Exp	enditures	Ex	penditures	0	r Savings		Share
A. Maintenance of Effort - Expenditures										
1 Ethnic Population	\$	-	\$	-	\$	-	\$	-	\$	-
2 OBRA Active Treatment	\$	42,763	\$	5,157	\$	37,606	\$	-	\$	42,763
3 OBRA Residential	\$	-	\$	-	\$	-	\$	-	\$	-
4 Residential Direct Care Wage										
Increase #1 - 100% MOE	\$	89,203	\$	89,203	\$	-	\$	-	\$	89,203
5 Residential Direct Care Wage	Ф	57.750	Φ	12 001	đ	14.750	Ф		Ф	57.750
Increase #2 - 100% MOE	\$_	57,759	\$	43,001			\$	-	\$	57,759
6 Total	\$	189,725	\$	137,361	\$	52,364	\$	-	\$	189,725
7 Maintenance of Effort – Lapse										
		MOE	M	edicaid	Ge	neral Fund			(	General
B. Reallocation of MOE Authorization	Aut	horization	Per	centage	Pe	ercentage	N	Medicaid		Fund
1 Ethnic Population	\$	-		0.00%		0.00%	\$	-	\$	-
2 OBRA Active Treatment	\$	42,763		12.06%		87.94%	\$	5,157	\$	37,606
3 OBRA Residential	\$	-		0.00%		0.00%	\$	-	\$	-
4 Residential Direct Care Wage										
Increase #1 - 100% MOE	\$	89,203		100.00%		0.00%	\$	89,203	\$	-
5 Residential Direct Care Wage	4			<b>-</b>		<b></b>	4	12.001	4	4.550
Increase #2 - 100% MOE	\$	57,759		74.45%		25.55%	\$	43,001	\$	14,758
6 Total	\$	189,545				=	\$	137,361	\$	52,364
II. Specialized Managed Care	1	MDCH	N	<b>IDCH</b>						
(Includes both State and Federal share	<u>R</u>	evenue	Е	xpense	_					
A. Total - Specialized Managed Care	\$6	5,164,118	\$5	,414,990						
B. Maintenance of Effort – Summary	\$	137,361	\$	137,361	_					
C. Net Specialized Managed Care (A-B)	\$6	5,026,757	<u>\$5</u>	,277,629	-					

## Schedule C

## Contract Reconciliation and Cash Settlement Summary October 1, 1998 through September 30, 1999

III. State/General Fund Formula Funding				MDCH	
A. GF/Formula - State and Community Managed Programs	Au	thorization		Expense	
1 State Managed Services	\$	481,918	\$	249,924	
2MDCH Risk Authorization - MDCH Approved for Use	\$	1,618	\$	-	
3Community Managed Services	\$	988,699	\$	1,078,976	
4Total State and Community Programs - GF/Formula Funding	\$	1,472,235	\$	1,328,900	
B. Maintenance of Effort – Summary	\$	52,364	\$	52,364	
C. Categorical, Special And Designated Funds					
1 Respite Grant (Tobacco Tax)	\$	33,000	\$	33,000	
2Permanency Planning Grant	\$	78,588	\$	78,588	
3Total Categorical, Special and Designated Funds	\$	111,588	\$	111,588	
D. Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	\$	1,308,283	\$	1,164,948	
		pecialized naged Care	Formula Funds		
IV. Shared Risk Arrangement	1710	naged Care		Tunus	
A. Operating Budget - Exclude MOE and Categorical Funding	\$	6,026,757	\$	1,308,283	
	\$	-	\$	-	
B. MDCH Share - Exclude MOE and Categorical Funding	\$	5,277,629	\$	1,164,948	
C. Surplus (Deficit)	ф	749,128	\$	143,335	
C. SUIDIUS (DCHCID)					
	\$ \$			· _	
D. Redirect Freed Up Medicaid Funds	\$	-	\$	143,335	
		749,128 301,338		143,335 65,414	

## Schedule C

## Contract Reconciliation and Cash Settlement Summary October 1, 1998 through September 30, 1999

			Car	ryforward	Redirected					Grand
V. Cash Settlement	M	DCH Share	Oı	Savings	Sav	ings		Total		Total
A. MDCH Obligation 1 Specialty Managed Care (Net of MOE)	\$	5,277,629	\$	301,338	\$	-	\$	5,578,967		
2 GF/Formula Funding (Net of Categorical and MOE) 3 MOE Specialty Managed	\$	1,164,948	\$	65,414	\$	-	\$	1,230,362		
Care MDCH Obligation	\$	137,361	\$	-	\$	-	\$	137,361		
4 MOE GF/Formula Funding MDCH Obligation 5 Categorical - MDCH	\$	52,364	\$	-	\$	-	\$	52,364		
Obligation	\$	111,588	\$	-	\$		\$	111,588		
6 Total - MDCH Obligation									\$	7,110,642
B. Advances - Prepayments 1 Specialized Managed Care - Through 9/30/1999				\$6,1	64,118					
2 Specialized Managed Care - Prepayments after 9/30/1999		99			\$	_				
3 Subtotal - Specialized Mana 4 GF/Formula Funding - (Incl	ged				·		\$	6,164,118		
Risk Authorization)							\$	903,545		
5 Purchase of Services							\$	481,918		
6 Categorical Funding						-	\$	125,629		
7 Total Prepayments									\$	7,675,210
C. Balance Due MDCH D. Balance Due to MDCH for Service Costs	Unp	aid State							\$	564,568
State Facility Costs							\$	249,924		
Actual Payments to MDCH						-	\$	249,924		
Balance Due MDCH									\$	
E. Net Balance Due MDCH									\$	564,568
Prior Settlement									\$	(256,399)
Balance Due to MDCH									\$	308,169

## Schedule D

## Financial Status Report

	Reported		Audit		Adjusted	
REVENUES		Amount	Adjı	ıstments		Amount
A. Revenues Not Otherwise Reported	\$	6,656	\$	-	\$	6,656
B. Substance Abuse Total	\$	-	\$	-	\$	-
1 Medicaid Pass Through	\$	-	\$	-	\$	-
2 Other	\$	-	\$	-	\$	-
C. Earned Contracts (non DCH) Total	\$	88,770	\$	_	\$	88,770
1 CMH to CMH	\$	2,412	\$	-	\$	2,412
2 Other	\$	86,358	\$	-	\$	86,358
D. MI Child - Mental Health	\$	3,353	\$	-	\$	3,353
E. Local Funding Total	\$	403,955	\$	_	\$	403,955
1 Special Fund Account (226(a))	\$	115,913	\$	-	\$	115,913
2 Title XX Replacement	\$	7,054	\$	-	\$	7,054
3 All Other	\$	280,988	\$	-	\$	280,988
F. Reserve Balances – Planned for use	\$	199,006	\$	622	\$	199,628
1 Carryforward – Section 226(2)(b)(c)	\$	199,006	\$	622	\$	199,628
2 Internal Service Fund	\$	-	\$	-	\$	-
3 Other (205(4)(h)	\$	-	\$	-	\$	-
4 Stop/loss Insurance	\$	-	\$	-	\$	-
G. DCH Earned Contracts Total	\$	203,907	\$	_	\$	203,907
1 PASARR	\$	51,161	\$	-	\$	51,161
2 Block Grant for CMH Services	\$	78,792	\$	-	\$	78,792
3 DD Council Grants	\$	-	\$	-	\$	-
4PATH/Homeless	\$	-	\$	-	\$	-
5 Prevention	\$	66,849	\$	-	\$	66,849
6 Aging	\$	-	\$	-	\$	-
7 HUD Shelter Plus Care	\$	-	\$	-	\$	-
8 Other DCH Earned Contracts	\$	7,105	\$	-	\$	7,105

## Schedule D

## Financial Status Report

	Reported		1	Audit	Adjusted		
REVENUES	Amount		Adj	Adjustments		Amount	
H. Gross Medicaid Total	\$	6,682,291	\$	-	\$	6,682,291	
1 Medicaid - Specialty Managed Care	\$	6,624,211	\$	-	\$	6,624,211	
2 Medicaid - Children's Waiver Total	\$	58,080	\$	-	\$	58,080	
I. Reimbursements Total	\$	61,049	\$	_	\$	61,049	
1 1st and 3rd Party	\$	-	\$	-	\$	-	
2 SSI	\$	61,049	\$	-	\$	61,049	
J. State General Funds Total	\$	1,614,966	\$	(634)	\$	1,614,332	
1 Formula Funding	\$	1,166,156	\$	-	\$	1,166,156	
2 Categorical Funding	\$	99,335	\$	-	\$	99,335	
3 State Services Base	\$	348,841	\$	-	\$	348,841	
4 DCH Risk Authorization	\$	634	\$	(634)	\$	-	
5 Residential D.C.W.	\$	-	\$	-	\$	-	
K. Grand Total Revenues	\$	9,263,953	\$	(12)	\$	9,263,941	
L. Estimated MDCH Obligation (G+H+J)	\$	8,501,164	\$	(634)	\$	8,500,530	

## Schedule D

## Financial Status Report

	Reported			Audit	Adjusted		
EXPENDITURES		Amount	A	djustments	Amount		
	4	0.050.050		(0.0.000)	<b>.</b>	<b>7</b> 0 <b>5</b> 0 <b>1</b> 0	
A. Gross Total Expenditures	\$	8,052,350	\$	(90,008)	\$	7,962,342	
B. Expenditures Not Otherwise Reported	\$	-	\$	-	\$	-	
C. Substance Abuse Total	\$	-	\$	-	\$	-	
1 Medicaid Pass Through	\$	-	\$	-	\$	-	
2 Other	\$	-	\$	-	\$	-	
D. Earned Contracts (Non MDCH) Total	\$	95,426	\$	-	\$	95,426	
1 CMH to CMH	\$	2,412	\$	-	\$	2,412	
2 Other Earned Contracts	\$	93,014	\$	-	\$	93,014	
E. MI Child – Mental Health	\$	3,353	\$	-	\$	3,353	
F. Local Total	\$	46,191	\$	-	\$	46,191	
1 Local Cost for State Provided Services	\$	46,191	\$	-	\$	46,191	
2 Other Not Used as Local Match	\$	-	\$	-	\$	-	
G. Expenditures From Reserve Balances	\$	199,006	\$	622	\$	199,628	
1 Carryforward - Sec 226(2)(b)(c)	\$	199,006	\$	622	\$	199,628	
2 Internal Service Fund	\$	-	\$	-	\$	-	
3  Other  (205(4)(h))	\$	-	\$	-	\$	-	
4 Stop/Loss Ins.	\$	-	\$	-	\$	-	
H. MDCH Earned Contracts Total	\$	203,907	\$	-	\$	203,907	
1 PASARR	\$	51,161	\$	-	\$	51,161	
2 Block Grant for CMH Services	\$	78,792	\$	_	\$	78,792	
3 DD Council Grants	\$	_	\$	-	\$	_	
4 PATH/Homeless	\$	-	\$	-	\$	-	
5 Prevention	\$	66,849	\$	-	\$	66,849	
6 Aging	\$	-	\$	-	\$	-	
7 HUD Shelter Plus Care	\$	-	\$	_	\$	_	
8 Other MDCH Earned Contracts	\$	7,105	\$	_	\$	7,105	
I. Matchable Services (A-(B through H))	\$	7,504,467	\$	(90,630)	\$	7,413,837	
J. Payments to MDCH for State Services	\$	399,588	\$	-	\$	399,588	

## Schedule D

## Financial Status Report

	Reported	Audit	Adjusted
EXPENDITURES	Amount	Adjustments	Amount
K. Specialty Managed Care Service Total	\$ 5,811,640	\$ (84,903)	\$ 5,726,737
1 100% MDCH Matchable Services	\$ 3,428,600	\$ 3,489	\$ 3,432,089
2 All SSI and Other Reimbursements	\$ 61,049	\$ -	\$ 61,049
3 Net MDCH Share for 100 % Services (K1-K2)	\$ 3,367,551	\$ 3,489	\$ 3,371,040
4 90/10 Matchable Services	\$ 2,383,040	\$ (88,392)	\$ 2,294,648
5 Medicaid Federal Share	\$ 1,313,293	\$ (48,713)	\$ 1,264,580
6 Other Reimbursements	\$ -	\$ -	\$ -
7 10% Local Match Funds	\$ 106,975	\$ (3,968)	\$ 103,007
8 Net State Share for 90/10 Services			
(K4-K5-K6-K7)	\$ 962,772	\$ (35,711)	\$ 927,061
9 Total MDCH Share, Spec. Managed Care (K3+K5+K8)	¢ 5 612 616	¢ (የሰ በ25)	¢ 5.560.601
	\$ 5,643,616	\$ (80,935)	\$ 5,562,681
L. GF Categorical and Formula Services Total	\$ 1,235,159	\$ (5,727)	\$ 1,229,432
1 100% MDCH Matchable Services	\$ 112,571	\$ (110)	\$ 112,461
2 All SSI and Other Reimbursements Net GF and Formula for 100% Services	\$ -	\$ -	\$ -
3 (L1-L2)	\$ 112,571	\$ (110)	\$ 112,461
4 90/10 Matchable Services	\$ 1,122,588	\$ (5,617)	\$ 1,116,971
5 Reimbursements	\$ -	\$ -	\$ -
6 10% Local Match Funds	\$ 112,259	\$ (562)	\$ 111,697
7 Net GF and Formula for 90/10 Services	Ψ 112,237	ψ (302)	Ψ 111,077
(L4-L5-L6)	\$ 1,010,329	\$ (5,055)	\$ 1,005,274
8 Total MDCH GF and Formula (L3+L7)	\$ 1,122,900	\$ (5,165)	\$ 1,117,735
M. Children's Waiver – Total	\$ 58,080	\$ -	\$ 58,080
1 Medicaid - Federal Share	\$ 32,008	\$ -	\$ 32,008
2 Other Reimbursements	\$ -	\$ -	\$ -
3 Net State Share (M-M1-M2)	\$ 26,072	\$ -	\$ 26,072
4 Total MDCH Share Children's Waiver	,		,
(M1+M3)	\$ 58,080	\$ -	\$ 58,080
N. Unobligated Spending Authority Total	\$	\$ -	\$
1 DCH Risk Authorization	\$ -	\$ -	\$ -
2 All Other	\$	\$ -	\$
O. Total Local Match Funds (K7+L6)	\$ 219,234	\$ (4,530)	\$ 214,704
P. Total MDCH Share of Expenditures	h = ac : : : : :	<b>.</b>	<b>.</b>
(J+K9+L8+M4)	\$ 7,224,184	\$ (86,100)	\$ 7,138,084

## Ionia County Community Mental Health Authority Schedule E Explanation of Audit Adjustments October 1, 1999 to September 30, 2000

Reserve Bala	ances – Planned for Use	\$622			
\$622	To increase the reported revenues due to an increase in the allowable GF carryforward calculated as a result of audit adjustments to the FYE 9/30/1999 FSR.				
State Genera	al Funds Total	(\$634)			
(\$634)	To reduce the State General Funds due to the elimination of the DCH Risk Authorization.				
Gross Total Expenditures (\$90,0					
(\$112,678)	To remove capital asset purchases. (See Finding 2)				
\$13,063	To allow depreciation expense on capital assets. (See Finding 2)				
\$7,340	To increase the cost of residential housing purchased to include the net additional principal and interest payments not previously included. (See Finding 3)				
\$3,166	To include prepaid expenses not properly reported. (See Finding 4)				
(\$900)	To remove amounts paid for production of a "political video". (See Finding 7)				

## Carryforward – Sec. 226(2)(b)(c)

\$622

\$622 To increase the allowable GF Carryforward calculated as a result of audit adjustments to the FYE 9/30/1999 FSR.

## **Specialty Managed Care Service Total**

(\$84,903)

(\$104,271)	To remove capital asset purchases. (See Finding 2)
\$10,260	To allow depreciation expense on capital assets. (See Finding 2)
\$7,340	To increase the cost of residential housing purchased to include the net additional principal and interest payments not previously included. (See Finding 3)
\$2,469	To include prepaid expenses not properly reported. (See Finding 4)
(\$702)	To remove amounts paid for production of a "political video". (See Finding 7)

## **GF Categorical and Formula Services Total**

(\$5,727)

(\$8,407)	To remove capital asset purchases. (See Finding 2)
\$2,803	To allow depreciation expense on capital assets. (See Finding 2)
\$697	To include prepaid expenses not properly reported. (See Finding 4)

(\$198) To remove amounts paid for production of a "political video". (See Finding 7)

\$(622) To decrease the GF Categorical and Formula Services expenses due to an increase in the allowable GF Carryforward calculated as a result of audit adjustments to the FYE 9/30/1999 FSR.

Local Total Other (\$4,530)

To reduce the Local Match Funds required based upon the audit findings in the Specialty Managed Care Services and the GF Categorical and Formula Services calculations.

## Contract Reconciliation and Cash Settlement Summary October 1, 1999 through September 30, 2000

		Total	M	Iedicaid	Ge	neral Fund	Carry	forward	Total N	MDCH
I. Maintenance of Effort (MOE)	Au	thorization	Exp	enditures	Ex	penditures	or S	avings	Sha	are
A. Maintenance of Effort - Expenditures										
1 Ethnic Population	\$	-	\$	-	\$	-	\$	-	\$	-
2 OBRA Active Treatment	\$	-	\$	-	\$	-	\$	-	\$	-
3 OBRA Residential	\$	42,763	\$	5,157	\$	37,606	\$	-	\$ 42,	,763
4 Residential Direct Care Wage										
Increase # 1 - 100% MOE	\$	89,203	\$	89,203	\$	-	\$	-	\$ 89,	,203
5 Residential Direct Care Wage										
Increase # 2 - 100% MOE	\$	115,518	\$	86,002	\$	29,516	\$	-	\$115,	,518
6 Total	\$	247,484	\$	180,362	\$	67,122	\$	-	\$247	,484
- >										

7 Maintenance of Effort – Lapse

		MOE	Medicaid	General Fund			(	General
B. Reallocation of MOE Authorization	Aut	horization	Percentage	Percentage	M	ledicaid		Fund
1 Ethnic Population	\$	-	0.00%	0.00%	\$	-	\$	-
2 OBRA Active Treatment	\$	-	0.00%	0.00%	\$	-	\$	-
3 OBRA Residential	\$	42,763	12.06%	87.94%	\$	5,157	\$	37,606
<ul><li>4 Residential Direct Care Wage Increase # 1 - 100% MOE</li><li>5 Residential Direct Care Wage</li></ul>	\$	89,203	100.00%	0.00%	\$	89,203	\$	-
Increase # 2 - 100% MOE	\$	115,518	74.45%	25.55%	\$	86,002	\$	29,516
6 Total	\$	247,484		_	\$1	80,362	\$	67,122

II. Specialized Managed Care	MDCH	MDCH
(Includes both State and Federal share)	Revenue	Expense
A. Total - Specialized Managed Care	\$6,624,211	\$ 5,562,681
B. Maintenance of Effort - Summary	\$ 180,362	\$ 180,362
C. Net Specialized Managed Care (A-B)	\$6,443,849	\$ 5,382,319

# Ionia County Community Mental Health Authority Schedule F

## Contract Reconciliation and Cash Settlement Summary October 1, 1999 through September 30, 2000

III. State/General Fund Formula Funding				MDCH		
A. GF/Formula - State and Community Managed Programs	Αι	ıthorization	Expense			
1 State Managed Services	\$	348,841	\$	399,588		
2 MDCH Risk Authorization - MDCH Approved for Use	\$	-	\$	-		
3 Community Managed Services	\$	1,264,383	\$	1,117,735		
4 Total State and Community Programs - GF/Formula Funding	\$	1,613,224	\$	1,517,323		
B. Maintenance of Effort – Summary	\$	67,122	\$	67,122		
C. Categorical, Special And Designated Funds						
1 Respite Grant (Tobacco Tax)	\$	33,000	\$	33,000		
2 Permanency Planning Grant	\$	66,335	\$	66,335		
3 Total Categorical, Special and Designated Funds	\$	99,335	\$	99,335		
D. Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	\$	1,446,767	\$	1,350,866		
	S	pecialized		Formula		
	Ma	naged Care		Funds		
IV. Shared Risk Arrangement						
A. Operating Budget - Exclude MOE and Categorical Funding	\$	6,443,849	\$	1,446,767		
	\$	-	\$	-		
B. MDCH Share - Exclude MOE and Categorical Funding	\$	5,382,319	\$	1,350,866		
	\$	1 0 61 520	\$	-		
C. Surplus (Deficit)	\$	1,061,530	\$	95,901		
D. Redirect Freed Up Medicaid Funds	4	1011700	4	07.004		
E. Shared Risk – Surplus (Deficit)	\$	1,061,530	\$	95,901		
F. Risk Band - 5% of Operating Budget (A x 5%)	\$	322,192	\$	72,338		

# Ionia County Community Mental Health Authority Schedule F

# Contract Reconciliation and Cash Settlement Summary October 1, 1999 through September 30, 2000

	MDCH		Carryforward		Redirected			Grand
V. Cash Settlement	Share		or Savings		Savings		Total	Total
A. MDCH Obligation								
1 Specialty Managed Care							<b>*</b>	
(Net of MOE)	\$	5,382,319	\$	322,192	\$	-	\$5,704,511	
2 GF/Formula Funding (Net of Categorical and MOE)	Φ	1,350,866	\$	72,338	\$		\$1,423,204	
3 MOE Specialty Managed	Ф	1,330,800	Ф	12,336	Ф	-	\$1,425,204	
Care MDCH Obligation	\$	180,362	\$	_	\$	_	\$ 180,362	
4 MOE GF/Formula Funding	_	,	,		_		,,	
MDCH Obligation	\$	67,122	\$	-	\$	-	\$ 67,122	
5 Categorical - MDCH								
Obligation	\$	99,335	\$	-	\$	-	\$ 99,335	_
6 Total - MDCH Obligation								\$7,474,534
B. Advances - Prepayments								
1 Specialized Managed Care -	Pro	epayments			Φ.	526 193		
Through 9/30/2000	EX	7.00			\$0	,536,182		
2 Specialized Managed Care - Prepayments after 9/30/2000		. 00		_	\$	88,029		
3 Subtotal - Specialized Mana	ged	l Care					\$6,624,211	
4 GF/Formula Funding - (Incl	ude	MDCH						
Risk Authorization)							\$1,166,156	
5 Purchase of Services							\$ 348,841	
6 Categorical Funding							\$ 99,335	_
7 Total Prepayments								\$8,238,543
C. Balance Due MDCH								\$ 764,009
D. Balance Due to MDCH for Unpaid State Service Costs								
State Facility Costs							\$ 399,588	
Actual Payments to MDCH							\$ 399,588	
Balance Due MDCH						•		- \$ -
E. Net Balance Due MDCH								\$ 764,009
Prior Settlement								\$ (677,909)
Balance Due to MDCH								\$ 86,100

Finding Number: 1
Page Reference: 3

Finding: Subcontracts Not Executed Timely

ICCMHA did not ensure subcontracts were signed by providers prior to the start of the contract coverage period in violation of the MSSSC and the Code of

Federal Regulations.

**Recommendation:** Adopt policies and procedures to ensure that all subcontracts are signed prior to

the beginning date of the contract.

**ICCMHA** 

**Comments:** At the time (November, 2002) that the MDCH Audit Office conducted its audit

exit interview as to the completion of its field work at the ICCMHS, the MDCH

still had not issued a MDCH/PIHP Master Contract for Medicaid funds or the

MDCH/CMHSP Master Contract for General Funds for the contractual period

from October 1, 2002 through September 30, 2004; the MDCH finally issued both

Master Contracts in September, 2003. In mid-January, 2007, the MDCH finally

issued a MDCH/CMHSP Master Contract for General Funds for the contractual

period from October 1, 2005 through September 30, 2007.

The MDCH provided all CMHSPs with a final, corrected MDCH/CMHSP Master

Contract (MDCH/CMHSP Managed Specialty Supports and Services Contract)

for four fiscal years (1998-1999FY; 1999/2000FY; 2000/2001FY; and the

2001/2002FY) in the month of August, 1998. Since the terms and conditions in

the ICCMHS' service subcontracts for the 1998-99FY had to meet the

requirements of the MDCH/CMHSP Master Contract for the 1998-99FY, the

MDCH's failure to deliver the Master Contract in a timely manner impacted the

ICCMHS' ability to execute subcontracts in a timely manner.

**Finding Number:** 1 **Page Reference:** 3

Finding: <u>Subcontracts Not Executed Timely</u>

Corrective Action: The ICCMHS has refined its contracting procedures, in response to Finding #1

of the MDCH auditors.

Anticipated

**Completion Date:** Already completed.

Finding Number: 2
Page Reference: 5

Finding: <u>Improper Reporting of Capital Asset Purchases</u>

ICCMHA did not properly report the purchases of vehicles, office equipment and other capital assets on the FYE 9/30/1999 FSR and FYE 9/30/2000 FSR in

compliance with the MSSSC and OMB Circular A-87.

Recommendation: Adopt policies and procedures to ensure all capital asset purchases are

capitalized and depreciated in compliance with the MSSSC and OMB Circular

A-87.

**ICCMHA** 

**Comments:** ICCMHS made journal entries and compilations and therefrom fully reported

expenditures for capital asset purchases in 1998/99 and 1999/2000 FSRs and

annual contract reconciliations which complied with provisions of its

MDCH/CMHSP Managed Specialty Supports and Services Contract, Generally

Accepted Accounting Principles (GAAP) for Governmental Units, and directions

of MDCH (then) officials and the (then) Director of the Local Government Audit

Division of the Michigan Department of Treasury that depreciation of capital

assets was not applicable to CMHSPs. However, given the terms and assurances

from the MDCH Office of Audit as set forth in two subsequent letters (one dated

December 4, 2006, and the other dated January 19, 2007) from its Regional

Manager of its Grand Rapids Regional Office to the ICCMHS, the ICCMHS is

not contesting this preliminary audit issue.

Finding Number: 2
Page Reference: 5

Finding: <u>Improper Reporting of Capital Asset Purchases</u>

**Corrective Action:** 

Since October 1, 2002, the MDCH/PIHP Master Contract for Medicaid funds and the MDCH/CMHSP Master Contract for General Funds include contractual provisions specifically requiring depreciation of expenditures for purchases of capital assets. The ICCMHS' policies and procedures as to expenditures for capital outlays are being implemented (depreciation as to any individual item more than \$5,000) in keeping with provisions specified in the MDCH/PIHP Master Contract for Medicaid funds and MDCH/CMHSP Master Contract for General Funds since October 1, 2002.

Anticipated

**Completion Date:** Already completed.

**MDCH Response:** 

The MSSSC, Section 3.6, states, "This Contract contains all the terms and conditions agreed upon by the parties. No other understanding, oral or otherwise, regarding the subject matter of this Contract shall be deemed to exist or to bind any of the parties hereto." Since the MSSSC was not amended regarding OMB Circular A-87 or accrual accounting, the terms contained in the MSSSC are binding.

The MSSSC states that OMB Circular A-87, among other documents, shall guide program accounting procedures. OMB Circular A-87 requires that depreciation or a use allowance be used to allocate cost over the useful life of a fixed asset. The MDCH's audit adjustment reflects the implementation of this provision.

**Finding Number:** 2 Page Reference: 5

Finding: **Improper Reporting of Capital Asset Purchases** 

**MDCH Response:** The MSSSC specifically makes OMB Circular A-87 applicable. Also, OMB Circular A-87, Attachment A, states that it establishes principles for determining the allowable costs incurred under cost reimbursement contracts and "these principles will be applied by all Federal agencies in determining costs incurred by governmental units under Federal awards."

> The MSSSC, Attachment 8.9.1, Section 1.3, Financial Status Report, requires the CMHSP to use the accrual basis of accounting. Under the accrual basis of accounting, property, plant, and equipment purchases are capitalized and depreciated over their economic life, which is consistent with OMB Circular A-87.

> OMB Circular A-87, Attachment A, Section C. Basic Guidelines states, in pertinent part, "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria... g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles." Therefore, ICCMHA must adhere to OMB Circular A-87 with respect to depreciating capital expenditures for reimbursement purposes.

> While expense of capital purchases may have been allowed in the past, the signed MSSSC requires compliance with accrual accounting and OMB Circular A-87.

Finding Number: 2
Page Reference: 5

Finding: Improper Reporting of Capital Asset Purchases

MDCH Response: The "directions" of the (then) Director of the Local Government Audit Division

of the Michigan Department of Treasury that depreciation of capital assets was

not applicable to CMHSPs only relate to financial statement presentation, and

NOT FSR reporting. The Michigan Department of Treasury has no authority to

determine what is reported on FSRs for reimbursement of Medicaid and General

Funds.

**Finding Number:** 3 **Page Reference:** 7

Finding: <u>Improper Reporting of Expenditures for Residential Facilities Purchases</u>

ICCMHA did not properly report expenditures related to the purchases of three residential facilities on the FYE 9/30/2000 FSR in compliance with the MSSSC.

**Recommendation:** Adopt policies and procedures to ensure proper expenditure reporting according

to the MSSSC.

**ICCMHA** 

**Comments:** The ICCMHS agrees to the recommendation of the MDCH auditors.

Corrective Action: ICCMHS has refined its implementation of policies and procedures for ensuring

proper expenditure reporting according to the MSSSC.

Anticipated

**Completion Date:** Already completed.

Finding Number: 4

**Page Reference:** 8

Finding: <u>Improper Reporting of Prepaid Internet Access</u>

ICCMHA did not properly report Internet access expenses applicable to FYE 9/30/2000 and paid during FYE 9/30/1999 in compliance with the MSSSC and

OMB Circular A-87.

**Recommendation:** Adopt policies and procedures to ensure proper expenditure reporting according

to the MSSSC and OMB Circular A-87.

**ICCMHA** 

**Comments:** The ICCMHS agrees to the recommendation of the MDCH auditors.

**Corrective Action:** ICCMHS has refined its implementation of policies and procedures for ensuring

proper expenditure reporting according to all contractual requirements and to

OMB Circular A-87.

Anticipated

**Completion Date:** Already completed.

Finding Number: 5
Page Reference: 9

Finding: <u>Improper Reporting of Group Home Rental Payments</u>

ICCMHA improperly reported the group home rental expenses applicable to FYE 9/30/1998 and paid during FYE 9/30/1999 in the FSR for FYE 9/30/1999

in violation of the MSSSC and OMB Circular A-87.

**Recommendation:** Adopt policies and procedures to ensure proper expenditure reporting according

to the MSSSC and OMB Circular A-87.

**ICCMHA** 

**Comments:** The ICCMHS agrees to the recommendation of the MDCH auditors.

**Corrective Action:** ICCMHS has refined its implementation of policies and procedures for ensuring

proper expenditure reporting according to all contractual requirements and to

OMB Circular A-87.

Anticipated

**Completion Date:** Already completed.

Finding Number: 6

**Page Reference:** 10

Finding: <u>Improper Reporting of Expenditures Not Incurred</u>

ICCMHA reported expenditures in the FSR for FYE 9/30/1999 that were undocumented and unexpended which did not comply with the MSSSC, the

OMB Circular A-87 and the Mental Health Code.

Recommendation: Adopt policies and procedures to ensure proper expenditure reporting and

compliance with the MSSSC, the OMB Circular A-87 and the Mental Health

Code.

**ICCMHA** 

Comments: The ICCMHS did include erroneously an overstatement of \$282,474 in

expenditures to establish a Medicaid "carry forward" per its reporting on the

9/30/99 FSR.

The ICCMHS agrees to the recommendation of the MDCH auditors.

**Corrective Action:** ICCMHS has refined its implementation of policies and procedures for ensuring

proper expenditure reporting according to all contractual requirements and to

OMB Circular A-87.

Anticipated

**Completion Date:** Already completed.

Finding Number: 7
Page Reference: 11

Finding: <u>Unallowable Lobbying Costs</u>

ICCMHA included unallowable lobbying costs in the FSR for FYE 9/30/2000 in

violation of the MSSSC and OMB Circular A-87.

Recommendation: Adopt policies and procedures to ensure proper expenditure reporting and

compliance with the MSSSC and OMB Circular A-87.

**ICCMHA** 

**Comments:** The ICCMHS agrees to the recommendation of the MDCH auditors.

**Corrective Action:** ICCMHS has refined its implementation of policies and procedures for ensuring

proper expenditure reporting and compliance with all contract requirements and

with OMB Circular A-87.

**Anticipated** 

**Completion Date:** Already completed.

Finding Number: 8

Page Reference: 12

**Improper Reporting of Medicaid and General Fund Revenues** 

ICCMHA did not properly record the revenue amounts received from Medicaid

and General Fund sources on the FYE 9/30/1999 FSR.

**Recommendation:** Adopt policies and procedures to ensure proper revenue reporting in compliance

with the MSSSC.

**ICCMHA** 

**Finding:** 

**Comments:** The ICCMHS agrees to the recommendation of the MDCH auditors.

Corrective Action: ICCMHS has refined its implementation of policies and procedures for ensuring

that the FSR reconciles with revenue amounts received from Medicaid and

General Fund sources and general ledger revenue accounts, in compliance with

all contractual requirements.

**Anticipated** 

**Completion Date:** Already completed.